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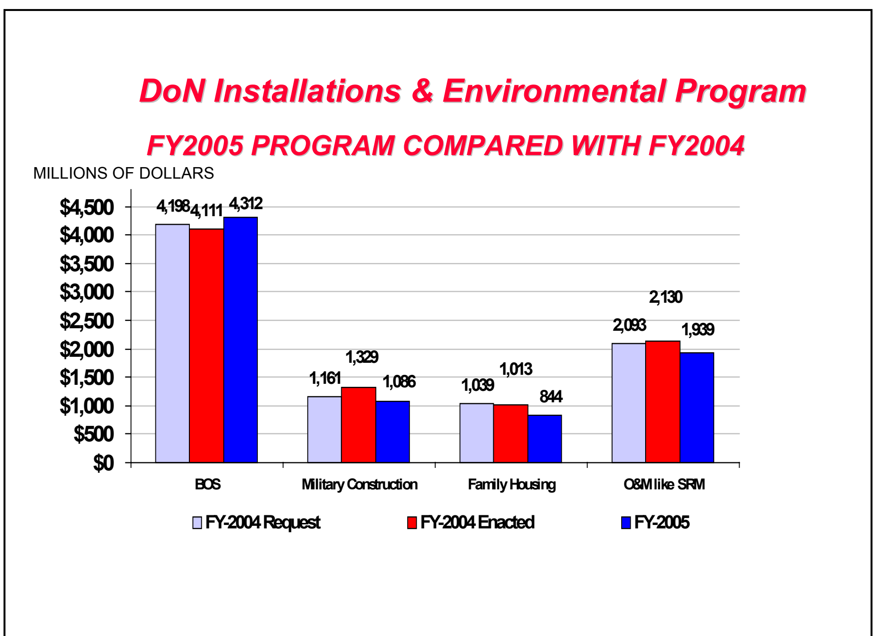
JOINT STATEMENT OF
ADMIRAL VERN CLARK, CHIEF OF NAVAL OPERATIONS,
GENERAL MICHAEL HAGEE, COMMANDANT OF THE MARINE CORPS,
AND
HONORABLE H. T. JOHNSON, ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND ENVIRONMENT)
BEFORE THE
SUBCOMMITTEE ON MILITARY CONSTRUCTION
OF THE
HOUSE APPROPRIATIONS COMMITTEE

Mister Chairman and members of the Committee, we are pleased to appear before you jointly today to provide an overview of the unique Navy and Marine Corps aspects that, together, represent the Department of the Navy's shore infrastructure programs.

FY-2005 Budget Overview

Our bases and stations are a critical component of our overall readiness. They provide many of the essential services and functions that help us train and maintain our Naval forces, and enhance the quality of life for our Sailors, Marines and their families. They provide both direct and indirect support to our forces even during deployment. We invest in our shore infrastructure to support our immediate readiness needs and fulfill our long-term readiness goals.

The Department of Navy (DoN) FY-2005 budget request for installations and environmental programs totals $9.1 billion in FY-2005 and provides the funds to operate, recapitalize and transform our shore installations.



In this budget, we have focused our efforts on balancing the risks across the operational, institutional, force management and future challenges identified by the Department and the Department of Defense and we continue to meet all Department of Defense (DoD) and DoN installation goals.

The **Base Operations Support** request of $4.3 billion provides fundamental services such as utilities, fire and security, air operations, port operations, and custodial care that enable the daily operations of our bases.

Our **Military Construction** request is a very robust $1.1 billion. It keeps us on track to eliminate inadequate bachelor housing, and provides critical operational, training, and mission enhancement projects.

The **Family Housing** request of $844 million provides funds to operate, maintain and revitalize the worldwide inventory of about 52,000 units. Our budget is enhanced by this year's request for increases in the military pay accounts for Basic Allowance for Housing. The Basic Allowance for Housing benefit makes finding affordable housing in the community more likely for our service members, and helps our housing privatization efforts succeed. We have programmed privatization and future construction plans to achieve the DoD goal to eliminate inadequate homes by FY-2007.

Sustainment, Restoration and Modernization (SRM) includes military construction and Operations and Maintenance funds. To avoid double counting military construction, the funding shown in the chart includes only the Operations and Maintenance accounts. Facilities sustainment requirements are based on a DoD model. The budget achieves 95 percent of the model requirement for Navy and Marine Corps bases, an increase of two percent for the Navy above the FY-2004 request. While the FY-2005 recapitalization rates decline slightly for Navy and improve for Marine Corps, both the Navy and Marine Corps meet the DoD 67-year recapitalization rate goal by FY-2008.

We believe there exists, and are pursing opportunities in our shore installations to find, evaluate, and implement promising new approaches that can reduce the cost of shore installations while still meeting DoD and service unique goals. We have made significant gains in the last few years managing cost growth and pursuing innovative solutions to long-term challenges, and we greatly appreciate the substantial investment you have made in making our Navy and Marine Corps installation support better than it has ever been. Here are some of the highlights of our shore installations efforts.

Housing

We have made a special effort in this budget to maintain progress in improving the quality of housing for our Sailors and Marines.

Family Housing

Our family housing strategy consists of a prioritized triad:

- Reliance on the Private Sector. In accordance with longstanding DoD and DoN policy, we rely first on the local community to provide housing for our Sailors, Marines, and their families. Approximately three out of four Navy and Marine Corps families receive BAH and own or rent their homes. Our bases have housing referral offices to help newly arriving families find suitable places to live.
- Public/Private Ventures (PPVs). With support from the Congress, we have used statutory PPV authorities enacted in 1996 to partner with the private sector to use private sector capital. Combining substantial private capital with our own resources allows us to provide better housing considerably faster to our families.
- Military Construction. Military construction is used where PPV authorities don't apply (such as overseas), or where a business case analysis shows that a PPV project is not financially sound.

This approach delivers the best possible range of solutions to housing our housing opportunities in both low and high cost areas.

FY-2004/2005
PPV HOMES

Navy

- Hawaii: 1,948
- Northeast: 4,460 *
- Northwest I: 2,705
- Mid-Atlantic: 5,930
- Great Lakes/Crane: 2,823
- San Diego: 2,668

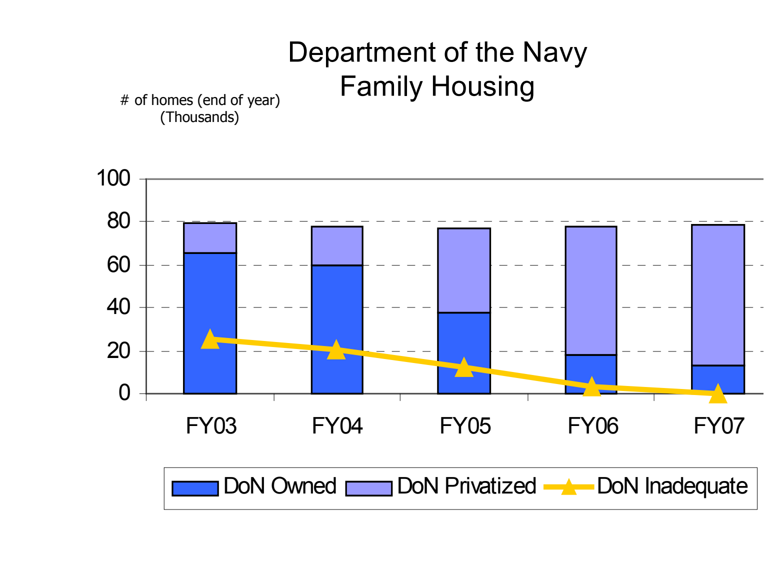
Marine Corps

- Yuma/Camp Pendleton: 897
- Lejeune: 3,426 **
- Twentynine Palms: 1,382
- Kansas City, 137

* Scope revised from 4,210 to 4,460 to reflect retention of 250 units that were previously planned for divestiture at Mitchel Housing Complex in Long Island, NY
** Congressional notification on 29 April 04 revised this proposal to include Cherry Point and Stewart ANG base. This decreased total number of units from 3,516 to 3,426.

The Importance of BAH

Higher BAH allowances help more Sailors and Marines and their families to find good, affordable housing in the community without additional out-of-pocket expenses. This reduces the need for military housing, allowing us to divest excess, inadequate homes from our inventory. Higher BAH also improves the income stream for PPV projects, making them more economically attractive to potential developers. The FY-2005 request completes a five-year DoD goal to increase BAH and eliminate average out-of-pocket expenses for housing.



Eliminating Inadequate Homes

The Navy and Marine Corps remain on track to eliminate its inadequate family housing units by FY-2007. We continue to pursue privatization at locations where it makes sense. We will eliminate almost three-quarters of our inadequate inventory through the use of public/private ventures. As of May 1, 2004, we have awarded 12 projects totaling over 18,000 units. We recently awarded a joint Army/Navy military housing project at Monterey, California that includes 593 homes at the Naval Postgraduate School. During FY-2004 and FY-2005, we plan to award projects totaling over 24,400 homes at nine Navy and Marine Corps locations. This will allow us to improve our housing stock and provide more homes to Sailors, Marines and their families much faster than if we relied solely on traditional military construction. The Navy and Marine Corps are working together using a regional approach to PPV projects to further accelerate progress and improve the financial viability of its PPV projects.

We expect there will still be a need for some Government-owned housing after FY-2007 with a corresponding requirement for family housing construction, operations, and maintenance funds. However, these requirements should decline as family housing is privatized. We continue to review these requirements, particularly in the management sub-account, as we transition from ownership to privatization.

The single biggest challenge in our efforts to eliminate inadequate family housing by FY-2007 is the statutory "cap" on the amount of budget authority that can be used in military family housing privatization. DoD projects that the Services will reach the current cap of $850 million by the end of calendar year 2004, and that it will impede our ability to carry out our FY-2005 privatization effort. Military family housing privatization is a successful tool to provide quality, self-sustaining housing for Navy and Marine Corps families. It is important that we stay the course. We will continue to work with the Congress to ensure that our Sailors and Marines live in quality housing.

Bachelor Housing

Our budget request of $205 million for bachelor quarters construction continues our emphasis on improving living conditions for unaccompanied Sailors and Marines. There are three challenges:

1. <u>Provide Homes Ashore for our Shipboard Sailors</u>. There are approximately 17,500 Sailors worldwide who are required to live aboard ship while in homeport. Based upon actions taken by the Navy and funds provided by Congress through FY-2004, we have now given 4,900 Sailors a place ashore to call home. This is our most pressing housing issue. Our FY-2005 budget includes one "homeport ashore" project at Naval Shipyard, Bremerton, Washington. By housing two members per room, this project will provide spaces for almost 800 shipboard Sailors.
2. <u>Ensure our Barracks Meet Today's Standards for Privacy</u>. We are continuing our efforts to construct new and modernize existing barracks to provide more privacy for our single Sailors and Marines. The Navy applies the "1+1" standard for permanent party barracks. Under this standard, each single junior Sailor has his or her own sleeping area and shares a bathroom and common area with another member. To promote unit cohesion and team building, the Marine Corps was granted a waiver to

adopt a "2+0" configuration where two junior Marines share a room with a bath. The Navy will achieve these barracks construction standards by FY-2013; the Marine Corps by FY-2012.

3. Eliminate gang heads. The Navy and Marine Corps remain on track to eliminate inadequate barracks with gang heads for permanent party personnel[1]. The Marine Corps will eliminate their permanent party barracks with gang heads with the FY-2005 budget request; the Navy by FY-2007.

We believe privatization will be as successful in accelerating improvements in living conditions for our single Sailors and Marines as it has been for families. Last year's legislation allowing privatized barracks to be built to private sector standards is an important signal to our Sailors and Marines. We thank you for the support.

We continue to examine other unique aspects to privatizing bachelor housing such as the impact of extended deployments on unit occupancy and storage requirements; their location outside the fence line of the base, or inside the fence line but on severable Government land; and sharing a unit by two or more members. We are confident that the Government can join with a private partner to fashion a solution to these concerns that preserve the viability of a project while protecting Government interests. We are developing pilot unaccompanied housing privatization projects for San Diego, CA; Hampton Roads, VA. We are also considering candidates for a third pilot site.

Military Construction

Military Construction Projects

Our FY-2005 military construction program requests appropriations of $1.086 billion and authorization of $1.045 billion. It includes $406 million for 12 waterfront and airfield projects; $205 million for eight bachelor housing projects; $69 million for six force protection projects, and $64 million for three environmental compliance projects. There is $87 million for planning and design, and $12 million for unspecified minor construction.

In aggregate, about 66 percent of the military construction request is for restoration and modernization projects. The remaining 34 percent is for new footprint projects that provide new capabilities, e.g., force protection, bachelor quarters, and facilities for new platforms. There are 5 projects totaling $94 million at non-U.S. locations overseas – Rota, Spain; Andros Island, Bahamas; Diego Garcia; and two projects in Sigonella, Italy. The Naval Reserve construction program has four projects for a total of $25 million.

Eleven projects totaling $467 million in FY-2005 have construction schedules (including FY-04 continuing projects) exceeding one year and cost more than $50 million, thus meeting the criteria for incremental funding. Five of these projects received full authorization in FY-2004 and are being continued or completed in FY-2005. We are

[1] Gang heads remain acceptable for recruits and trainees.

requesting $289 million appropriations and $607 million in new authorization to start six incrementally funded projects in FY-2005.

Outlying Landing Field, Washington County, North Carolina

The new F/A-18E/F Super Hornet is replacing F-14 and older F/A-18C aircraft. The DoN prepared an Environmental Impact Statement that examined a range of alternatives for homebasing these new aircraft on the East Coast. A Record of Decision was signed in September 2003 to base eight tactical squadrons and a fleet replacement squadron at Naval Air Station Oceana, VA, and two tactical squadrons at Marine Corps Air Station Cherry Point, NC.

This homebasing decision requires a new Outlying Landing Field (OLF) to support fleet carrier landing practice (FCLP) training. The current site near Virginia Beach, VA is not as effective for night-time training due to ambient light sources, and lacks the capacity to handle a training surge such as experienced for the war on terrorism and Operation Iraqi Freedom. The Washington County site is about halfway between NAS Oceana and MCAS Cherry Point. We believe it is the best alternative from an operational perspective.

In FY-2004 the Congress provided authority to acquire approximately 3,000 acres for the core area of the OLF and to begin constructing the runway. We are now seeking authority to acquire a 30,000-acre buffer zone for noise, build a control tower, and erect fire and rescue facilities. We are asking for this authority over two years, with the first increment of $61.8 million in FY-2005.

There is some local opposition to the OLF site we selected; two lawsuits challenge the sufficiency of the Department's Environmental Impact Statement upon which the Navy's decision to locate the OLF was based. On 20 April 2004, the Federal District Court issued an injunction halting all Navy efforts to establish the OLF. The Navy has filed a motion requesting the Court to vacate or narrow the scope of the preliminary injunction. This would allow the Navy to continue work on all "reversible" actions related to the new OLF, while completing additional analyses. If the Court agrees, the Navy will resume voluntary land sales and low impact design work such as soil borings and surveying.

The Navy wants to be a good neighbor, and will consider the concerns of local property owners. For example, the Navy has committed that all land not required for actual OLF operations will be available for continued agricultural use. The Navy believes it has met all legal and regulatory requirements, and will work with the Court in pursuing a satisfactory outcome. We must retain military construction funds in FY-2005 to support acquisition of property once the legal issues are resolved. The Navy's ability to meet FCLP surge requirements and provide the realistic training for Fleet operators will be severely impacted without FY-05 funds for OLF.

VXX

Marine Helicopter Squadron One (HMX-1), located at the Marine Corps Air Facility, Quantico, VA, now performs helicopter transportation for the President, Vice President and heads of state. Numerous modifications and improvements have limited the mission effectiveness of the current VH-3D and VH-60N helicopters. The planned acquisition of a replacement helicopter, called VXX, will improve transportation, communication, and security capabilities and integrate emerging technologies. The total acquisition cost is $5.9 billion. Originally planned for an initial operating capability in 2013, the acquisition schedule has now been accelerated to December 2008.

The FY-2005 budget includes $777 million in Research and Development for VXX system design and demonstration, and $106 million in appropriations ($166 million authorizations) for military construction to support VXX. Facilities are required to support the test and evaluation of three VXX scheduled for delivery in October 2006, to provide hangar space for the eventual full complement of 23 aircraft, and to provide in-service support for the life cycle of the aircraft.

The accelerated VXX acquisition schedule required us to make some judgments in the FY-2005 military construction program to ensure that facilities would be available in time to house the aircraft and the combined government/contractor support team. There is insufficient capacity to house VXX at Naval Air Station Patuxent River, MD, where the Navy conducts most of its test and evaluation of new aircraft. Similarly, the 1935 era hangers at Quantico are inadequate to meet current HMX-1 needs, and should be replaced regardless of the delivery date of the new aircraft.

However, before committing large sums to construct new facilities, we initiated and recently completed a study that concluded there was no excess capacity elsewhere in the National Capital Region that could be adapted to accommodate both the test and evaluation phase and the operational mission for VXX at lower cost than building new facilities at Patuxent and Quantico. The Navy decision to delay award of the System Development and Demonstration contract is not expected to significantly delay the arrival of the first aircraft, currently planned for November 2006. The Navy had to substantially accelerate its facilities construction schedule in order to meet the November 2006 date. A delay in the arrival of the first aircraft will allow the Navy to reduce risk and some cost for facilities construction at Patuxent River. We ask your support to retain full funding for VXX facilities in the FY-2005 program.

FACILITIES

Facilities Sustainment, Restoration and Modernization (SRM)

The Department of Defense uses models to calculate life cycle facility maintenance and repair costs. These models use industry wide standard costs for various types of buildings and serves as the basis for our Sustainment needs.

SRM

Navy

	FY-03	FY-04	PB-05
Sustainment (%)	84%	93%	95%
Recap Rate (years)	116	140	148

Marine Corps

	FY-03	FY-04	FY-05
Sustainment (%)	Full	97%	95%
Recap Rate (years)	156	88	78

Sustainment funds in the Operations and Maintenance accounts maintain shore facilities and infrastructure in good working order and avoid premature degradation. The Navy and Marine Corps achieve 95 percent sustainment of the model requirements in FY-2005. Sustainment dollars decreased by nine percent due to the removal of old facilities in our inventory as a result of our demolition program, and revised pricing assumptions.

Restoration and Modernization provides for the major recapitalization of our facilities using Military Construction and Operations and Maintenance funds. While both the Navy and Marine Corps achieve the Department of Defense goal of a 67-year recapitalization rate by FY-2008, the FY-2005 recap rate rises to 148 years for Navy while improving to 78 years for the Marine Corps. The Navy will manage its near term facilities investment to limit degradation of operational and quality of life facilities.

Closure of Naval Station Roosevelt Roads, Puerto Rico

The Navy closed Naval Station Roosevelt Road on March 31, 2004, as directed by section 8132 of the FY-2004 Defense Appropriations Act. We have begun the required environmental reviews and the initial phases of the property disposal process. The Navy is taking great care in relocating military personnel and families, and assisting civilian employees with relocation and outplacement. The DoD school will remain open until the end of the school year.

The closure and disposal is being carried out in accordance with the procedures contained in the Defense Base Closure and Realignment Act (BRAC) of 1990, as amended. The Navy established Naval Activity Puerto Rico as a successor organization to maintain the property and preserve its value through disposal, which we expect to occur in late 2005. The Commonwealth has formed a Local Redevelopment Authority (LRA) that has begun land use planning for the property. The Navy and DoD Office of Economic Adjustment are coordinating with the LRA. We will ensure the needs of the military and civilian employees are met as we carry out this closure and property disposal.

Nebraska Avenue Complex

At the request of the Department of Homeland Security (DHS), the Navy has agreed to relocate 10 Navy commands and 1,147 personnel from its Nebraska Avenue Complex (NAC) in Northwest Washington, D.C. The 556,000 square feet of office space will provide a headquarters facility for DHS personnel. DHS will pay for the Navy's first move, and if necessary, the first year's lease costs. Seven Navy commands with 469 personnel have relocated. An eighth command will move by September. We recommend the Congress approve the Administration's requested legislation as freestanding authority needed to relocate the remaining two commands and set the terms for the transfer of property to GSA. This relocation could reasonably take place nine months after enactment, and the commands would move to lease spaces until we identify permanent government-owned facilities.

The intent is to transfer custody of the NAC property to the General Services Administration (GSA), who will manage the facilities for DHS. Navy requires a legislative waiver from Section 2909 of the Defense Base Closure and Realignment Act (BRAC), which specifies that bases may not be closed except through the BRAC process.

EFFICIENCIES

Commander, Navy Installations

The Navy established Commander, Navy Installations (CNI) on October 1, 2003 to consolidate and streamline management of its shore infrastructure. Instead of eight Navy commands responsible for planning, programming, budgeting and executing resources for shore installations, there is a single command – CNI. The Navy now has an enterprise wide view of installation management and resources.

CNI will guide all regions and installations towards Navy strategic objectives. The centralized approach will identify and disseminate best business practices across all regions/installations. The ability to identify standard costs and measure outputs is improving the capability based budgeting process. Managing from a program centric knowledge base allows for a top-level assessment of capabilities and risks.

This central focus on facilities can leverage capabilities between the military services to avoid duplicate investments while still creating surge capacity through joint use opportunities. CNI has developed strategic partnerships with Naval Supply Systems Command (NAVSUP) and Naval Facilities Engineering Command (NAVFAC) to apply their logistics and contracting expertise.

The Navy is already realizing savings, estimated at $1.6 billion across the FYDP, and improving services from CNI initiatives.

- Consolidating functions at the regional level vs. installation level (e.g., housing management, administrative functions, contracting, supply, comptroller, business management, maintenance, warehousing).
- Combining command staffs (e.g., NAB Coronado and NAS North Island; CBC Port Hueneme and NAS Point Mugu)
- Consolidating installation contracts (e.g., tug and pilot contracts; custodial and grounds maintenance; negotiating area wide utility rates).
- Shifting installation level supply and contracting functions to NAVSUP and NAVFAC (e.g., eliminate duplication at the installation and regional levels).
- Studying the merger of other overlapping installation functions from the Bureau of Naval Personnel (e.g., morale, welfare and recreation programs, fleet and family support programs, child care), the Naval Supply Systems Command (personnel support programs such as food services), and the Naval Facilities Engineering Command (facilities management).

With 15 major bases and stations to manage, the Marine Corps installation organization operates in a consolidated approach: operating force installations are consolidated under the most senior Marine Corps operational commanders (i.e., Marine

Forces Atlantic, Pacific and Reserve), while recruit depots, logistics bases and training bases report directly to headquarters Marine Corps.

CNI and Marine Corps are working together to implement similar practices across both services. Examples include using similar readiness reporting systems, using regional facility support contracts, and managing family housing from a regional perspective.

Joint Cooperation on Installation Management

In February, installation commanders from Naval Air Engineering Station, Lakehurst, the Army's Fort Dix, and McGuire Air Force Base formed a partnership to generate joint solutions for common problems between the three contiguous bases and their tenant commands. The three installation commanders are already reducing operating costs by consolidating firearms training, radar information for air operations, and contracts for pest control, linen service, and hazardous waste disposal. We want to encourage such cooperation wherever we have opportunities to partner with the other military departments.

BRAC 2005

We need to convert excess capacity in our U.S. shore infrastructure into war-fighting capability. BRAC 2005 may well be our last significant opportunity to reduce excess infrastructure, and apply savings to improve readiness. More importantly, it will allow us to transform our infrastructure to best support the force structure of the 21st Century.

The Congress gave considerable thought on how to structure a BRAC 2005 process that sets fair and objective evaluation standards and incorporates the lessons learned from four previous BRAC rounds. We will be meticulous in meeting these statutory standards. We will treat all bases equally. We will base all recommendations on the 20-year force structure plan, infrastructure inventory, and published selection criteria. In no event will we make any decisions concerning the reduction of infrastructure until all data has been collected, certified and carefully analyzed.

We will look for joint use opportunities in our analysis and recommendations. This is a fundamental change from past BRAC processes. We believe, as does the Secretary of the Navy, that we can and must apply the type of joint warfighting successes witnessed in Afghanistan and Iraq to a more efficient and effective Department of Defense shore infrastructure.

Within the DoN, the overall BRAC 2005 process is under the Secretary of the Navy's oversight and guidance. The Secretary of the Navy established three

DoN Infrastructure Evaluation Group

- Asst Sec Navy, Installations & Environment (Chair)
- Dep Asst Sec Navy, Infrastructure Strategy & Analysis (Vice Chair)
- Dep CNO Fleet Readiness and Logistics
- Dep Chief of Staff U.S Atlantic Fleet
- Dep Commandant Installations and Logistics
- Dep Commandant Aviation
- Dep Asst Sec Navy Research Development Test & Evaluation
- Dep Asst Sec Navy Manpower & Reserve Affairs

groups to support the process. The **Infrastructure Evaluation Group (IEG)** will develop service unique recommendations for closure and realignment of the DoN military installations. It will also ensure that the operational needs of the fleet commanders are carefully considered.

The **Infrastructure Analysis Team (IAT)** will develop the analytical methodologies, collect certified data from Navy and Marine Corps activities, examine joint and cross-service basing opportunities, perform in-depth analysis, and present the results to the IEG for evaluation. The Deputy Assistant Secretary of the Navy for Infrastructure Strategy and Analysis leads the IAT. The IAT has 93 military, civilian and contract personnel with a broad range of expertise and warfare disciplines.

A **Functional Advisory Board (FAB)** reports directly to the IEG and bridges the analysis by the DoD Joint Cross Service Groups and the DoN. The FAB includes Navy and Marine Corps flag officers and senior executives who are assigned to the seven Joint Cross Service Groups (JCSG). The FAB ensures that the Navy and Marine Corps position on joint functions are clearly articulated and the leadership is kept current on JCSG matters.

Demolition/Footprint Reduction

After the Navy and Marine Corps achieved the FY-2002 DoD goal of 9 million square feet and two million square feet, respectively, they have continued to demolish excess and vacant facilities. In FY-2005, the Navy has budgeted $49 million to demolish 1.6 million square feet, and the Marine Corps $5 million to demolish about 305 thousand square feet.

The demolition effort has evolved from just eliminating "eye-sores" to encouraging installations to consolidate, move out of costly leased or antiquated facilities, and eliminate the most inefficient facilities. We want to avoid spending SRM and base operating support funds on facilities we no longer need.

Utility Privatization

Privatizing DoD electricity, water, wastewater, and natural gas utility systems to corporations who own and manage such systems will allow DoD to concentrate on core defense functions and yield long term cost savings. The Secretary of Defense has directed that each Service evaluate the potential for privatizing their utility systems, while 10USC § 2688 provides the legislative authority to convey utility systems where economical. The Navy and Marine Corps are on track to meet the DoD goal of reaching a source selection authority (SSA) decision for all of its utility systems by 30 September 2005. To date, we have made SSA decisions for 111 systems, or 17% of the 654 systems available for privatization. Of the 111 systems with an SSA decision to date, 15 systems have been privatized, 41 systems have been exempted, and 55 systems are under review. Navy and Marine Corps expect to achieve SSA decisions for approximately half of its systems by the end of FY-2004. It is still too early to predict what percentage of our utility systems will successfully be privatized.

PRIOR BRAC CLEANUP & PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 have been a major tool in reducing our domestic base structure and generating savings. The Department has achieved a steady state savings of $2.7 billion per year since FY-2002. All that remains is to complete from these Prior BRAC rounds is the environmental cleanup and property disposal on all or portions of 21 of the original 91 bases. We have had significant successes in sales, disposal, and cleanup.

Property Sales

We have used property sales as a means to expedite cleanup and the disposal process as well as recover the value of government owned property purchased by taxpayers. We have successfully completed several sales. In the last year, we have received at total of $230 million for the sale of properties at the former Marine Corps Air Station Tustin, CA, the former Naval Air Facility Key West, FL, and the former Naval Hospital Long Beach. We are applying these funds to accelerate cleanup at the remaining prior BRAC locations.

More property sales are planned that will finance the remaining prior BRAC cleanup efforts. Legal issues must be resolved before we proceed with property sales at the former Oak Knoll Naval Hospital in Oakland, CA and the former Marine Corps Air Station El Toro, CA. We will use the proceeds from both sales to finance our FY-2005 program of $115 million. If necessary, we will use the funds from the Long Beach and Key West sales as a cash flow bridge if the Oak Knoll and El Toro sales are delayed.

Property Disposal

The DoN had about 161,000 acres planned for disposal from all four prior BRAC rounds, with the former Naval Air Facility Adak, AK accounting for nearly half of those acres. We are pleased to report that earlier this year, the Navy relinquished over 71,000 acres of its Adak land withdrawal to the Department of Interior, and Interior exchanged portions of that land with other lands held by The Aleut Corporation. By the end of this fiscal year the DoN will have less than seven percent (or about 11,000 acres) of the property from all four prior BRAC rounds left to dispose.

Cleanup

The DoN has spent $2.3 billion on environmental cleanup at prior BRAC locations through FY-2003. We expect the remaining cost to complete cleanup at about $495 million for FY-2006 and beyond, most of which is concentrated at fewer than twenty remaining locations. Any additional land sale revenue beyond that currently budgeted will be used to further accelerate cleanup at remaining prior BRAC locations. These sites are primarily former industrial facilities that tend to have the most persistent environmental cleanup challenges.

CONCLUSION

In conclusion, we ask the members of this committee to judge the merits of the Navy and Marine Corps installations program through the considerable progress we are making in virtually all areas. Funding reductions are driven by reduced requirements, less costly alternatives, and improved business processes.